

# **SETTLEMENT AGREEMENT BETWEEN APS&EE, LLC AND ZOETOP BUSINESS CO., LIMITED**

## **1. RECITALS**

### **1.1 The Parties**

**1.1.1** This Settlement Agreement (“Agreement”) is entered into by and between APS&EE, LLC (“APS&EE”) and Zoetop Business Co., Limited (“Zoetop”). APS&EE and Zoetop shall hereinafter collectively be referred to as the “Parties”.

**1.1.2** APS&EE is an organization based in California with an interest in protecting the environment, improving human health and the health of ecosystems, and supporting environmentally sound practices, which includes promoting awareness of exposure to toxic chemicals and reducing exposure to hazardous substances found in consumer products.

**1.1.3** APS&EE alleges that Zoetop is a person in the course of doing business as the term is defined in California *Health & Safety Code* section 25249.6 et seq. (“Proposition 65”).

### **1.2 Allegations**

**1.2.1** APS&EE alleges that Zoetop and Shein Fashion Group, Inc. (“SFG”) sold Shein handbags, purses, and clutches, including but not limited to lemon bag 160714315, red round bag 180724349, and orange bag 160816309 (hereinafter collectively the “Products”) in the State of California causing users in California to be exposed to unsafe levels of Di-n-Butyl Phthalate (“DBP”), Di (2-ethylhexyl) Phthalate also known as Bis (2-ethylhexyl) Phthalate (“DEHP”), and Lead without providing “clear and reasonable warnings”, in violation of Proposition 65. DBP, DEHP, and Lead are potentially subject to Proposition 65 warning requirements because DBP is listed by the State of California as known to cause birth defects and other reproductive harm, DEHP is listed as known to cause cancer and reproductive toxicity, and Lead is known to cause cancer and birth defects or other reproductive harm.

**1.2.2** On December 21, 2018, APS&EE provided a Sixty-Day Notice of Violation (the “Notice”) to SFG, and Shein Group Ltd. (“SG”) and the various public enforcement agencies regarding the alleged violation of Proposition 65 with respect to unwarned exposures to DBP and DEHP from the Products. On January 22, 2019, APS&EE provided a Supplemental Sixty-Day Notice of Violation (the “First Supplemental Notice”) to SFG, SG, and the various public enforcement agencies regarding the alleged violation of Proposition 65 with respect to unwarned exposures to DBP, DEHP, and Lead from the Products. On March 14, 2019, APS&EE provided a Second Supplemental Sixty-Day Notice of Violation (the “Second Supplemental Notice”) to SFG, SG, EC Best Service, Inc. (“EC”), Zoetop, and the various public enforcement agencies regarding the alleged violation of Proposition 65 with respect to unwarned exposures to DBP, DEHP, and Lead from the Products. The Notice, First Supplemental Notice, and Second Supplemental Notice shall hereinafter collectively be referred to as the “Notices.”

### **1.3 No Admissions**

Zoetop, SFG, SG, and EC deny all allegations in APS&EE’s Notices and maintain that the Products have been, and are, in compliance with all laws, and that they have not violated Proposition 65. This Agreement shall not be construed as an admission of liability by Zoetop, SFG, SG, and EC but to the contrary as a compromise of claims that are expressly contested and denied. However, nothing in this section shall affect the Parties’ obligations, duties, and responsibilities under this Agreement.

### **1.4 Compromise**

The Parties enter into this Agreement in order to resolve the controversy described above in a manner consistent with prior Proposition 65 settlements and consent judgments that were entered in the public interest and to avoid prolonged and costly litigation between them.

## **1.5 Effective Date**

The “Effective Date” shall be the date upon which a complete and fully executed copy of the Agreement is delivered to each Party or its counsel.

## **2. INJUNCTIVE RELIEF AND REFORMULATION**

### **2.1 Reformulation**

As of the Effective Date, Zoetop shall not distribute, sell or offer for sale the Products in California unless (a) the Products contain no more than 1,000 parts per million (0.1%) of DEHP or DBP, and no more than 200 parts per million of Lead (“Reformulated Product”), or (b) the Product is distributed, sold, or offered for sale with a clear and reasonable warning as described below in Section 2.2.

### **2.2 Clear And Reasonable Warnings**

**2.2.1** For any Products that are not Reformulated Products, such Products shall be accompanied by a clear and reasonable warning. Zoetop shall use a warning with the capitalized and emboldened wording substantially similar to the following:

(Long-Form Warning):

**WARNING:** This product can expose you to chemicals including DEHP [and/or DBP and/or Lead]<sup>1</sup>, which are known to the State of California to cause cancer and birth defects or other reproductive harm. For more information go to [www.P65Warnings.ca.gov](http://www.P65Warnings.ca.gov).

Or

(Short-Form Warning):

**WARNING: Cancer and Reproductive Harm -  
[www.P65Warnings.ca.gov](http://www.P65Warnings.ca.gov)**

The warning shall be accompanied by a symbol consisting of a black exclamation point in a yellow equilateral triangle with a bold black outline. Where the label for the product is not printed using the color yellow, the symbol may be printed in black and

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<sup>1</sup> In accordance with 27 Cal. Code Regs., section 25603, operative Aug. 30, 2018, the warning must expressly identify at least one of the Listed Chemicals present in the Product, as applicable. Language within the brackets is optional.

white. The symbol shall be placed to the left of the text of the warning, in a size no smaller than the height of the word “WARNING”.

**2.2.2** Each Product sold in a physical store in California shall carry a warning directly on each unit or its label or package, with such conspicuousness as compared with other words, statements or designs as to render it likely to be read and understood by an ordinary consumer prior to sale. Alternatively, Zoetop may provide the Long-Form warning through an electronic device or process that automatically provides the warning to the purchaser (e.g., such as on a self-checkout screen and not solely on a purchase receipt) prior to completion of the purchase of the consumer product.

**2.2.3** Zoetop shall provide the Long-Form warning for each Product it sells on the internet (or the Short-Form Warning, but only if it is also provided on the Product or its label or package) by a clearly marked hyperlink on the product display page, or by otherwise prominently displaying the warning to the purchaser before the purchaser completes his or her purchase of the Product. For Products that Zoetop provides for another entity to sell on the internet, Zoetop shall provide notice to such entity pursuant to 27 Cal. Code Regs. § 25600.2(b) of the warning message to be provided for any online sales of the Product.

### **3. PAYMENTS**

#### **3.1 Civil Penalty Pursuant To Proposition 65**

In settlement of all claims referred to in this Agreement, Zoetop shall pay a total civil penalty of two thousand five hundred dollars (\$2,500.00) to be apportioned in accordance with *Health and Safety Code* section 25249.12(c)(1) and (d), with 75% (\$1,875.00) for State of California Office of Environmental Health Hazard Assessment (“OEHHA”), and the remaining 25% (\$625.00) for APS&EE.

Zoetop shall issue two (2) checks for the civil penalty: (1) a check or money order made payable to “OEHHA” in the amount of \$2,500.00; and (2) a check or money order made payable to “Law Offices of Lucas T. Novak” in the amount of \$625.00. Zoetop shall remit the payments within five (5) business days of the Effective Date, to:

Lucas T. Novak, Esq.  
LAW OFFICES OF LUCAS T. NOVAK  
8335 W Sunset Blvd., Suite 217  
Los Angeles, CA 90069

### **3.2 Reimbursement Of APS&EE's Fees And Costs**

Zoetop shall reimburse APS&EE's experts' and attorney's fees and costs incurred in prosecuting the instant action, for all work performed through execution of this Agreement. Accordingly, Zoetop shall issue a check or money order made payable to "Law Offices of Lucas T. Novak" in the amount of twenty two thousand five hundred dollars (\$22,500.00). Zoetop shall remit the payment within five (5) business days of the Effective Date, to:

Lucas T. Novak, Esq.  
LAW OFFICES OF LUCAS T. NOVAK  
8335 W Sunset Blvd., Suite 217  
Los Angeles, CA 90069

## **4. RELEASES**

### **4.1 APS&EE's Release Of Zoetop**

APS&EE, in consideration of the promises and monetary payments contained herein, hereby releases Zoetop, SFG, SG, and EC, and their parents, subsidiaries, affiliates, shareholders, directors, members, officers, employees, attorneys, principals, owners, investors, successors and assignees, as well as their downstream distributors, retailers, and customers (collectively "Releasees"), from any alleged Proposition 65 violation claims that were or could have been asserted based on the facts alleged in APS&EE's Notices regarding failure to warn about exposure to DEHP, DBP, and/or Lead from the Products sold by Zoetop or SFG before and up to the Effective Date.

### **4.2 Zoetop's Release Of APS&EE**

Zoetop, by this Agreement, waives all rights to institute any form of legal action against APS&EE, its shareholders, directors, members, officers, employees, attorneys, experts, successors and assignees for actions or statements made or undertaken, whether

in the course of investigating claims or seeking enforcement of Proposition 65 against Zoetop in this matter. If any Releasee should institute any such action, then APS&EE's release of said Releasee in this Agreement shall be rendered void and unenforceable.

#### **4.3 Waiver Of Unknown Claims**

Each of the Parties acknowledges that it is familiar with Section 1542 of California Civil Code which provides as follows:

“A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.”

Each of the Parties waives and relinquishes any right or benefit it has or may have under Section 1542 of California Civil Code or any similar provision under the statutory or non-statutory law of any other jurisdiction to the full extent that it may lawfully waive all such rights and benefits. The Parties acknowledge that each may subsequently discover facts in addition to, or different from, those that it believes to be true with respect to the claims released herein. The Parties agree that this Agreement and the releases contained herein shall be and remain effective in all respects notwithstanding the discovery of such additional or different facts.

#### **5. SEVERABILITY**

Should any part or provision of this Agreement for any reason be declared by a Court to be invalid, void or unenforceable, the remaining portions and provisions shall continue in full force and effect.

#### **6. GOVERNING LAW**

The terms of this Agreement shall be governed by the laws of the State of California.

#### **7. NOTICE**

All correspondence and Notice required to be provided under this Agreement shall be in writing and delivered personally or sent by first class or certified mail or

email, addressed as follows:

<p>TO ZOETOP:</p> <p>Tim Wei Tel: 8613924307655 Email: tim.wei@shein.com</p> <p>With a copy to:</p> <p>Jeffrey Margulies, Esq. Norton Rose Fulbright US LLP 555 South Flower Street Forty-First Floor Los Angeles, CA 90071 Jeff.margulies@nortonrosefulbright.com</p>	<p>TO APS&amp;EE:</p> <p>Lucas T. Novak, Esq. Law Offices of Lucas T. Novak 8335 W Sunset Blvd., Suite 217 Los Angeles, CA 90069 lucas.nvk@gmail.com</p>
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## **8. COUNTERPARTS**

This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which, when taken together, shall constitute the same document. Execution and delivery of this Agreement by e-mail, facsimile, or other electronic means shall constitute legal and binding execution and delivery. Any photocopy of the executed Agreement shall have the same force and effect as the originals.

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9. **AUTHORIZATION**

The undersigned are authorized to execute this Agreement on behalf of their respective Parties. Each Party has read, understood, and agrees to all of the terms and conditions of this Agreement. Each Party warrants to the other that it is free to enter into this Agreement and is not subject to any conflicting obligation that will or might prevent or interfere with the execution or performance of this Agreement by said Party.

**AGREED TO:**

Date: 7/25/19

By: [Signature]  
Authorized Representative of APS&EE, LLC

**AGREED TO:**

Date: July 24, 2019

By: Tim WEI [Signature]  
Authorized Representative of Zoetop Business Co., Limited